



## Fact Sheet:



# Health Insurance Portability and Accountability Act (HIPAA)

## What Is HIPAA?

HIPAA was signed into federal law in 1996 (Public Law 104-191). "The primary intent of the law is to protect health insurance coverage for workers and their families when they change or lose their jobs." The law includes requirements for Administrative Simplification because it was recognized that this new protection would impose additional administrative burdens on health care providers, payers and clearinghouses.

The Administrative Simplification portion of the law is specifically designed to reduce the burden associated with the transfer of health information between organizations, and more generally, to increase the efficiency and cost effectiveness of the health care system. The approach accelerates the move from certain paper-based administrative and financial transactions to electronic transactions through the establishment of nationwide standards for transmitting and receiving health care information.

HIPAA requires the standardization of Electronic Data Interchange (EDI) for claims processing, authorization, enrollment, remittance advice and coordination of benefits. The Department of Alcohol and Drug Programs (ADP) is among many "covered entities" will be required to change to the national codes and claims processing requirements.

In addition to standardizing health care claims processing, the law also requires new privacy and information security standards for Protected Health Information (PHI). These requirements are designed to ensure that an individual's health information remains private and confidential in electronic and other formats.

As a payer of Drug Medi-Cal (DMC) claims for alcohol and other drug (AOD) services, ADP must update its business processes and information systems to comply with the new EDI standards and the provisions for privacy and information security required by HIPAA.

ADP's HIPAA Branch, located within the Program Services Division, operates according to an Enterprise Project Plan, which specifies the processes and steps ADP will use to implement HIPAA. A Steering Committee made up of ADP Deputy Directors and other key staff provides oversight for the project. The HIPAA Branch coordinates with the California Office of HIPAA Implementation, the coordinating body for all state programs that are affected by HIPAA.

## What are the Standards?

Currently, these are the proposed and final standards of HIPAA:

## Transactions and Code Sets:

Transactions: Claims, Claim Status

Inquiry and Response; Coordination of Benefits, etc.

Code Sets: Codes used to indicate diseases, injuries, impairments and medical procedures.

**Privacy and Confidentiality**: Uses and Disclosures of PHI.

**Unique Health Care Provider**

**Identifiers**: Requirements for use by covered entities; Data Elements.

**Security**: Administrative, Technical and Physical Safeguards for electronic health information.

**Enforcement**: Penalties; Procedures for Investigations.

**Claims Attachments**: Clinical data to help establish medical necessity for coverage.

**Who Must Comply with HIPAA?**

ALL health care providers that use and transmit health information electronically are considered “covered entities” according to HIPAA. A health care provider is any person or organization who furnishes, bills, or is paid for health care in the normal course of business. “Health care” means the provision of care, services, or supplies to a patient, and includes assessment and counseling related to the physical or mental condition, or functional states of an individual. Noncompliance can result in fines and penalties.

**When Must We Comply with HIPAA Standards?**

The final standards have compliance deadlines written into each rule. Transaction and Code Sets, Privacy, Security, and the Unique Health Care Provider Identifier Rules have been finalized:

Transactions and Code Sets Rule: October 16, 2003

Privacy Rule: April 14, 2003

Security Rule: April 20, 2005

Unique Health Care Provider Identifier Rule: May 23, 2007

For more information see:

[www.ohi.ca.gov](http://www.ohi.ca.gov) or  
[www.adp.ca.gov/hp/hipaa.shtml](http://www.adp.ca.gov/hp/hipaa.shtml).